

**TOWNSHIP OF BEAVER
NEWAYGO COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

MARCH 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Beaver Township	County Newaygo
Audit Date 3/31/04	Opinion Date 9/14/04	Date Accountant Report Submitted to State: 9/21/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as issued by the Michigan Department of Treasury.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☒ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Hendon & Slate, P.C.			
Street Address 711 West Main Street		City Fremont	State MI
Accountant Signature <i>Jodi DeKunja, CPA</i>		ZIP 49412	Date 9/21/04

TOWNSHIP OF BEAVER
Newaygo County, Michigan

Township Board

	<u>Position</u>
Allen Ward	Supervisor
Penny Gleason	Clerk
Marjorie Maynard	Treasurer
Judy Peplinski	Trustee
Warren Knapp	Trustee

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H&S Companies



Hendon & Slate, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



Township Board
Township of Beaver
Bitely, Michigan

Independent Auditor's Report

We have audited the general purpose financial statements of Beaver Township as of and for the year ended March 31, 2004 as listed on the table of contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Township has not maintained a record of its general fixed assets, and accordingly, a statement of general fixed assets required by generally accepted accounting principles, is not included in the financial report.

In our opinion, except that the omission of the account group described above results in an incomplete presentation, as explained in the preceding paragraphs, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Beaver at March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America and with applicable rules and regulations of any state department or agency.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents as supplemental information is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Respectfully submitted,

Hendon & Slate, P.C.

Hendon & Slate, P.C.
Certified Public Accountants
September 14, 2004

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TOWNSHIP OF BEAVER

Combined Balance Sheet - All Fund Types and Account Groups March 31, 2004

	<u>Governmental Fund Types</u>		<u>Trust & Agency Fund</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Tax Account</u>	<u>Total (Memo Only)</u>
Assets				
Cash	\$ 55,017	\$ 19,576	\$ 204,772	\$ 279,365
Taxes Receivable	1,851	2,252	-	4,103
Due from other funds	13,627	13,347	-	26,974
Prepaid Expenses	-	-	-	-
Total Assets	<u>\$ 70,495</u>	<u>\$ 35,175</u>	<u>\$ 204,772</u>	<u>\$ 310,442</u>
Liabilities and Fund Equity				
Accounts Payable	\$ 1,278	\$ -	\$ -	\$ 1,278
Due to other funds	-	1,509	25,465	26,974
Due to Other Units of Government	-	-	179,307	179,307
Total Liabilities	1,278	1,509	204,772	207,559
Fund Equity				
Fund Balance - Undesignated	<u>69,217</u>	<u>33,666</u>	-	<u>102,883</u>
Total Liabilities and Fund Equity	<u>\$ 70,495</u>	<u>\$ 35,175</u>	<u>\$ 204,772</u>	<u>\$ 310,442</u>

The Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF BEAVER

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types For the Fiscal Year Ended March 31, 2004

	<u>General</u>	<u>Special Revenue</u>	<u>Total (Memo Only)</u>
<u>Revenues</u>			
Taxes & PTAF	\$ 13,565	\$ 15,599	\$ 29,164
Payment in Lieu of Taxes	694	-	694
National Forest Funds	1,103	-	1,103
State Grants	45,127	-	45,127
Interest	837	129	966
Licenses and Permits	830	-	830
Miscellaneous	<u>1,465</u>	<u>-</u>	<u>1,465</u>
Total Revenues	63,621	15,728	79,349
<u>Expenditures</u>			
Legislative	3,091	-	3,091
General Government	23,638	-	23,638
Public Safety	3,004	13,549	16,553
Public Works	7,827	-	7,827
Unallocated Expenditures	<u>6,473</u>	<u>-</u>	<u>6,473</u>
Total Expenditures	<u>44,033</u>	<u>13,549</u>	<u>57,582</u>
Excess Revenues Over (Under) Expenditures	19,588	2,179	21,767
Fund Balances - April 1	<u>49,629</u>	<u>31,487</u>	<u>81,116</u>
Fund Balances - March 31	<u>\$ 69,217</u>	<u>\$ 33,666</u>	<u>\$ 102,883</u>

The Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF BEAVER

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - All Governmental Fund Types For the Fiscal Year Ended March 31, 2004

	General Fund			Special Revenue Fund		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues						
Taxes and PTAF	\$ 10,413	\$ 13,565	\$ 3,152	\$ 16,699	\$ 15,599	\$ (1,100)
Payment in Lieu of Taxes	-	694	694	-	-	-
National Forest Funds	1,500	1,103	(397)	-	-	-
State Grants - Shared Revenues	53,000	45,127	(7,873)	-	-	-
Interest	-	837	837	-	-	-
Licenses and Permits	-	830	830	-	129	129
Miscellaneous	5,000	1,465	(3,535)	-	-	-
Total Revenue	69,913	63,621	(6,292)	16,699	15,728	(971)
Expenditures						
Legislative						
General Government	1,800	3,091	(1,291)	-	-	-
Public Safety	30,700	23,638	7,062	-	-	-
Public Works	9,000	3,004	5,996	1,600	13,549	(11,949)
Contingencies	53,612	7,827	45,785	-	-	-
Unallocated Expenditures	10,000	-	10,000	-	-	-
	9,900	6,473	3,427	-	-	-
Total Expenditures	115,012	44,033	70,979	1,600	13,549	(11,949)
Excess Revenues Over Expenditures	(45,099)	19,588	64,687	15,099	2,179	(12,920)
Fund Balance - April 1	30,000	49,629	19,629	-	31,487	31,487
Fund Balance - March 31	<u>\$ (15,099)</u>	<u>\$ 69,217</u>	<u>\$ 84,316</u>	<u>\$ 15,099</u>	<u>\$ 33,666</u>	<u>\$ 18,567</u>

The Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF BEAVER

Notes to the Financial Statements
March 31, 2004

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Township's significant accounting policies applied in the preparation of the accompanying financial statements follows. The accounting practices followed by the Township are those prescribed by the State of Michigan.

1. BASIS OF PRESENTATION

The financial activities of the local unit are recorded in separate funds, categorized and described as follows:

Governmental Funds

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Township of Beaver. Revenues are derived primarily from property taxes, state grants and interest on investments.

Special Revenue Funds - These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action (Fire Fund).

Fiduciary Funds

Trust and Agency Funds - These funds are used to account for assets held as an agent for others. Agency funds are custodial in nature and do not involve measurement of results of operation. (Tax Account)

2. BASIS OF ACCOUNTING

All governmental funds utilize the modified accrual basis of accounting. Modification in such method from the accrual basis are as follows:

- A. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received. "Available" means collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period (60 days).

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on September 14th and February 14th with the final collection date of February 28 before they are added to the County tax rolls. The Township collects 1.0 (.8558 after rollback) mills for general operations and 1.5 (1.3710 after rollback) mills for fire operations.

- B. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase. There were no material inventories at year end.
- C. Normally, expenditures are not divided between years by the recording of prepaid expenses.

3. BUDGETS AND BUDGETARY ACCOUNTING

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level. See pages 10 through 12. The Township had the following material overexpenditures:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Legislative	\$ 1,800	\$ 3,091	\$ 1,291
Treasurer	5,300	6,182	882
Assessor	6,100	7,144	1,044
Rescue Squad	-	1,000	1,000
Payroll Taxes	-	1,306	1,306

The Township of Beaver prepared all budgets for the year ended March 31, 2004 on a method of accounting not significantly different than the modified accrual basis of accounting in accordance with generally accepted accounting principles.

4. EMPLOYEE RETIREMENT AND ACCRUED FRINGE BENEFITS

The Township does not participate in a pension plan. There were no unpaid vacation or sick leave benefits at year-end.

5. ENCUMBRANCES

The Township does not use any form of encumbrance accounting.

6. ESTIMATES

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenditures/expenses. Actual results could differ from those estimates.

NOTE B

PROPERTY TAXES RECEIVABLE

The delinquent real property taxes of the Township of Beaver are purchased by the County of Newaygo. The 2003 delinquent taxes (\$4,103) were received by the Township in June of 2004, which exceeds the general rule (60 days), however is soon enough to pay liabilities of the current period. These taxes have been recorded as revenue for the current year.

NOTE C

REPORTING ENTITY

The financial statements of the Township of Beaver do not include any other governmental boards or authorities based on a determination made with control or dependence in the areas of budget adoption, taxing authority, funding and appointment of respective boards.

NOTE D CASH DEPOSITS AND INVESTMENTS

Legal or Contractual Provisions for Deposits and Investments. The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended through December 31, 1997, states the Township by resolution, may authorize the Treasurer to invest surplus funds in one or more of the following:

- a. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2).
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 66, 54 Stat. 789, 15 U.S.C. 81a-1 to 801-3 and 80a-4 to 801a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 - a. The purchase of securities on a when-issued or delayed delivery basis.
 - b. The ability to lend portfolio securities as long as the mutual fund receives collateral all times equal to at least 100% of the securities loaned.
 - c. The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperations Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

Cash deposits of the Township are held at Shelby State Bank - Hesperia Branch. These accounts are in the name of the Township. The Township's deposits and investments are in accordance with statutory authority as follows:

	Carrying Value	Fair Market Value
Demand Deposit - General (860015)	\$ 128	\$ 3,801
Money Market - General (624726)	31,889	31,889
Certificates of Deposit	23,000	23,000
Time Deposit - Fire (1199868)	19,576	19,576
Demand Deposit - Tax Fund (860106)	204,772	204,772
	<u>\$ 279,365</u>	<u>\$ 283,038</u>

Notes to the Financial Statements (Continued)

FDIC Insured	\$ 142,576	\$ 142,576
Uninsured	104,900	108,573
Money Market	31,889	31,889

Investments are normally categorized to give an indication of the level of risk assumed by the Township; however, money market funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes the investments in the funds comply with the investment authority noted above.

NOTE E INTERFUND ASSETS/LIABILITIES

Due from/to Other Funds balance at March 31, 2004, were as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 13,627	\$ -
Fire Fund	13,347	1,509
Trust and Agency Fund	-	25,465

NOTE F GENERAL FIXED ASSETS

The Township has not maintained a current list of General Fixed Assets that have been acquired for general Township purposes and, at the time of purchase, were recorded as expenditures.

NOTE G TOTAL COLUMNS ON COMBINED STATEMENTS - OVERVIEW

Total columns on the combined statements - overview are captioned memorandum only to indicate that they are presented only to facilitate financial analysis; data in these columns do not present financial position in accordance with generally accepted accounting principles. Neither is such data comparable to a consolidation, interfund eliminations have not been made in the aggregation of this data.

NOTE H RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Township carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

TOWNSHIP OF BEAVER

Combining Statement of Changes in Assets and Liabilities - All Agency Funds For the Fiscal Year Ended March 31, 2004

	Balance 04/01/02	<u>Current Tax Collection Fund</u>		Balance 03/31/04
		<u>Additions</u>	<u>Deductions</u>	
Assets				
Cash	\$ 12,502	\$ 337,739	\$ 145,469	\$ 204,772
Taxes Receivable	<u>-</u>	<u>388,199</u>	<u>388,199</u>	<u>-</u>
Total Assets	<u>\$ 12,502</u>	<u>\$ 725,938</u>	<u>\$ 533,668</u>	<u>\$ 204,772</u>
Liabilities				
Due to Township	\$ 12,502	\$ 25,465	\$ 12,502	\$ 25,465
Due to County	-	121,356	65,402	55,954
Due to Schools				
-Walkerville	-	24,225	6,071	18,154
-Hesperia	-	98,857	36,583	62,274
Due to Intermediate School District				
-Newaygo County	-	43,547	16,108	27,439
-Oceana County	-	4,496	1,591	2,905
Due to Community College	-	6,836	2,419	4,417
Due to Hesperia Library	<u>-</u>	<u>12,957</u>	<u>4,793</u>	<u>8,164</u>
Total Liabilities	<u>\$ 12,502</u>	<u>\$ 337,739</u>	<u>\$ 145,469</u>	<u>\$ 204,772</u>

TOWNSHIP OF BEAVER

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund For the Fiscal Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
Taxes - Current	\$ 10,413	\$ 9,736	\$ (677)
PTAF	-	3,829	3,829
Payment in Lieu of Taxes	-	694	694
National Forest Funds	1,500	1,103	(397)
State Grants - Shared Revenues	53,000	45,127	(7,873)
Interest	-	837	837
Licenses and Permits	-	830	830
Miscellaneous	<u>5,000</u>	<u>1,465</u>	<u>(3,535)</u>
Total Revenue	69,913	63,621	(6,292)
Expenditures			
Legislative			
Township Board			
Salaries and Wages		1,325	
Printing and Publishing		340	
Utilities		36	
Dues		251	
Professional Services		<u>1,139</u>	
Total Legislative	1,800	3,091	(1,291)
General Government			
Supervisor			
Salaries and Wages		2,200	
Supplies		<u>105</u>	
	2,600	2,305	295
Clerk			
Salaries and Wages		2,260	
Supplies		<u>489</u>	
	3,400	2,749	651
Board of Review			
Salaries and Wages		1,040	
Supplies		<u>24</u>	
	\$ 1,800	\$ 1,064	\$ 736

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - General Fund - (Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Treasurer			
Salaries and Wages		\$ 2,534	
Office Supplies		1,704	
Professional Services		<u>1,944</u>	
	\$ 5,300	6,182	\$ (882)
Township Hall and Grounds			
Salaries and Wages		200	
Supplies		<u>758</u>	
	3,000	958	2,042
Elections			
Wages		474	
Supplies		<u>118</u>	
	5,000	592	4,408
Assessor			
Professional Service	6,100	7,144	(1,044)
Cemetery			
Salaries and Wages		1,741	
Utilities		36	
Supplies		<u>867</u>	
	<u>3,500</u>	<u>2,644</u>	<u>856</u>
Total General Government	30,700	23,638	7,062
Public Safety			
Planning & Zoning Administrator & Board of Appeals			
Salaries and Wages		1,505	
Supplies		<u>499</u>	
	9,000	2,004	6,996
Rescue Squad	<u>-</u>	<u>1,000</u>	<u>(1,000)</u>
Total Public Safety	\$ 9,000	\$ 3,004	\$ 5,996

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - General Fund (Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Public Works			
Street Lighting	\$ 500	\$ 245	\$ 255
Drains	300	441	(141)
Highways, Streets, Bridges	<u>52,812</u>	<u>7,141</u>	<u>45,671</u>
Total Public Works	53,612	7,827	45,785
Contingencies	10,000	-	10,000
Unallocated Expenditures			
Accounting & Attorney	5,000	-	5,000
Insurance, Bonds and Fringes	4,900	5,167	(267)
Payroll Taxes	<u>-</u>	<u>1,306</u>	<u>(1,306)</u>
Total Unallocated	<u>9,900</u>	<u>6,473</u>	<u>3,427</u>
Total Expenditures	<u>115,012</u>	<u>44,033</u>	<u>70,979</u>
Excess Revenues Over (Under) Expenditures	(45,099)	19,588	64,687
Fund Balance - April 1	<u>30,000</u>	<u>49,629</u>	<u>19,629</u>
Fund Balance - March 31	<u>\$ (15,099)</u>	<u>\$ 69,217</u>	<u>\$ 84,316</u>

HS & Companies



Hendon & Slate, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



September 15, 2004

Township Board
Township of Beaver
Bately, Michigan

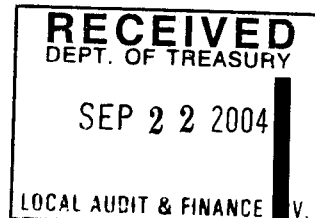
Dear Board Members:

We have examined the financial statements of Beaver Township as of and for the year ended March 31, 2004 and issued our report thereon dated September 14, 2004. As part of our audit, we studied and evaluated the Township's accounting and administrative controls as well as compliance with laws having a bearing on the fair presentation of your financial statements. Because this study was only part of the overall audit plan, it is not intended to be a complete review of all your accounting procedures and, therefore, would not necessarily disclose all weaknesses in your system. Accordingly, we offer the following comments and recommendations.

BOOKS AND RECORDS

Once again, the books and records of the Township were in good condition. However, we again noted that some of the checks were missing appropriate documentation for payment, preferably an invoice. We again recommend that the invoices be attached to a copy of the check. The Township should not pay expenditures which are not supported by some kind of documentation. For example, if the Township has a contract with someone, there may not be an invoice but a copy of the contract should be either attached to the check or a note from the clerk indicating the contract information (\$12,000 annual contract divided by 12 months equals \$1,000 current month payment).

We had significant difficulty with the Treasurer information this year. After requesting check registers and bank statements from the Deputy Treasurer, we received only part of this information along with a reconciliation from the County regarding the balance in the tax cash account from March 2004. We made certain assumptions regarding the missing information and feel comfortable with the information reported, however, the Deputy Treasurer may need some additional training regarding the roll of the Treasurer, due to the inability of the Treasurer to perform her duties. We would be happy to assist the Deputy and will be in touch with him in the near future.



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TAX COLLECTION PAYMENTS

As we indicated last year, the State of Michigan requires the Township to remit tax collections in a timely manner. We are aware that the Treasurer became ill and that this may have effected the timely remitting of tax collections, however, this does not eliminate the requirement. The guidelines for a township the size of Beaver Township requires that the taxes collected up to and including January 10th must be remitted within 10 business days except that at no time may the township have on hand taxes in excess of 25% of the amount to be collected. We noted that the January requirement was appropriately followed, however, the tax collection account did exceed 25% of the amount to be collected following the January payment. We recommend that the Treasurer determine each year the dollar amount representing 25% of the taxes to be collected. Whenever the amount held in the two tax accounts exceed this amount, the Treasurer should distribute the amounts held for the appropriate governmental units. At the time that the Treasurer prepares the appropriate distribution checks, it could be helpful to distribute the Township's share of the tax collection as well. It would assist in keeping the funds held in the tax accounts under the 25% amount, although this alone would not solve the situation. Again, if assistance is needed in this area, we would be happy to discuss this with the Deputy Treasurer.

PTAF

As we indicated previously, the Township is required to keep, at a minimum, a memorandum of expenditures justifying the collection of the Property Tax Administration Fee (PTAF). As in the past, we could find no record of PTAF expenditures during our audit.

BUDGET

We are happy to report that the Township is appropriately documenting the budgets and officially adopting the budgets at a Township meeting. However, we noted several material overexpenditures this year. The Township is not supposed to spend more than it has budgeted for any department. Before an overexpenditure might occur the Board should amend the budget to indicate the change in projection. To be aware of possible overexpenditures prior to being incurred, the Board would need to be receiving at least quarterly reports with the budget amounts compared with the actual expenditures. We again highly recommend that these reports be prepared and provided to the Board.

In addition, the budget adopted for the current year was in balance when including both the General and Fire Funds combined, however, if the two funds are separated (as the financial statements reflect) the General Fund budget has more expenditures than revenues plus the prior year surplus. This is a major violation of the Budget and Accounting Act. This would have only been evident to the Board, if the two budgets were presented separately, rather than combined. We recommend that the Board prepare separate budgets for each fund.

GENERAL FIXED ASSETS

We continue to suggest that the Township maintain a list of General Fixed Assets that have been acquired for general township purposes. Assets should be recorded at original cost or estimated

original cost. This will be imperative if the Township determines the need to implement the Governmental Accounting Standards Board Statement No. 34, discussed in more detail later in this letter.

DUE TO/FROM OTHER FUNDS

During May, 1997, the General Fund paid the Walkerville Fire bill in the amount of \$3,604.70. This bill was never reimbursed by the Fire Fund. During the 2002-2003 fiscal year, the Fire Fund portion of Delinquent Taxes was deposited into the General Fund. We applied this against the outstanding balance which resulted in the remaining balance due from the Fire Fund to the General Fund to be \$1,509.30. We again wanted to call your attention to this amount which is still outstanding as of March 31, 2004. The Township has two options: payment or forgiveness. Option One: The Fire Fund can simply make the payment to the General Fund cash account. Option Two: The General Fund can officially forgive the debt by creating a transfer from the General Fund to the Fire Fund (without moving any cash). If the Township decides to follow Option Two, we would be happy to assist the Township to properly complete the necessary steps.

GASB 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments

As we informed you after the last audit, there are up-coming changes prescribed by the Governmental Accounting Standards Board called GASB Statement No. 34. We briefly reviewed the changes last year, however, we wanted to remind you that this is the last year that the financial statements will be provided in the current presentation. The basic Township record keeping will not change. However, you will need to provide us with a schedule of assets held by the Township in order to comply with this new requirement. We recommend that the Township adopt a capitalization policy regarding this listing which would allow for only accounting for items over a given value (such as \$500 or \$1,000). This will eliminate providing detail on most assets, however, the land and buildings owned by the Township will need to be provided. We will need the original purchase date and price (or a reasonable estimate if the actual amount is not known) along with a brief description of the assets. We would be happy to assist the Township with the depreciation and tracking of these assets upon the completion of this initial inventory.

Thank you for the courtesy extended to us during our audit. We look forward to a continued relationship with Beaver Township. If you have any questions regarding the audit report, this letter or any other communication, please do not hesitate to call.

Respectfully submitted,



Jodi DeKuiper, CPA
Hendon & Slate, P.C.